

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement sets out Recce Pharmaceuticals Limited's (**Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory. However, this

corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations. This corporate governance statement is current as at 27 September 2018 and has been approved by the Board of the Company (**Board**).

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1: Lay solid foundations for management and oversight		
1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management.	YES	The Company has adopted a Board Charter which complies with the guidelines prescribed by the ASX Corporate Governance Council. A copy of the Company's Board Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance .
1.2 A listed entity should:		
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and	YES	(a) The Nomination and Remuneration Committee is responsible for recommendations to the Board for the selection and appointment of members of the Board. The Company's Nomination and Remuneration Committee Charter requires the Nomination and Remuneration Committee to undertake appropriate checks before the Board appoints a person, or putting forward to security holders a candidate for election, as a Director.
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	YES	(b) All material information relevant to the decision on whether or not to re-elect Dr John Prendergast (and any other potential Directors, as the case may be), including information relating to his qualifications, experience and proposed roles within the Board will be set out in the Notice of Meeting which will be sent to all shareholders ahead of the Annual General Meeting to be held on 20 November 2018.

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1.3 A listed entity should have a written agreement with each Director and Senior Executive setting out the terms of their appointment.	YES	The Company has written agreements with all Directors and Senior Executives which sets out the terms of their appointment.
1.4 The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	YES	The Company Secretary has been appointed by and is responsible to the Board through the Chairman. The Company Secretary is accessible to all Directors.
1.5 A listed entity should:		
(a) Have a diversity policy which includes requirements for the Board:	YES	(a) The Company has adopted a Diversity Policy which complies with the guidelines prescribed by the ASX Corporate Governance Council, including:
(1) to set measurable objectives for achieving gender diversity; and		(1) the Diversity Policy provides a framework for the Company to set and achieve measurable objectives that encompass gender equality.
(2) to assess annually both the objectives and the entity's progress in achieving them;		(2) the Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives.
(b) Disclose that policy or a summary of it; and	YES	
(c) Disclose as at the end of each reporting period:		
(1) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and	YES	
(2) either:		
(A) The respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation (including how the entity has defined 'Senior Executive' for these purposes); or	YES	(b) The Diversity Policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance .
(B) The entity's 'Gender Equality Indicators', as defined in the Workplace Gender Equality Act 2012.	N/A	(c) The Company strives to achieve the measurable objectives for achieving gender diversity as set out in the Diversity Policy. As at 30 June 2018, the respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation are set out below. The Company defines Senior Executives as those employees who report directly to the Executive Chairman or the Board. <ul style="list-style-type: none"> • 75% of the Company's Board were male and 25% were female; • 100% of the Company's Senior Executives were male (excluding members of the Board) 22% of the Group's entire workforce (including Board members) were female and 78% were male.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p> <p>YES</p>	<p>(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of the Board and individual Directors on an annual basis. The process for this is set out in the Company's Nomination and Remuneration Committee Charter which is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.</p> <p>(b) During the period to 30 June 2018, the Nomination and Remuneration Committee did not undertake a performance evaluation of its board or its individual Directors as the Nomination and Remuneration Committee was only re-established following the appointment of a Non-Executive Director to the Board. The Company expects that the Nomination and Remuneration Committee will undertake such an evaluation during the 18/19 financial year.</p>
<p>1.7 A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of its Senior Executives; and</p> <p>(b) Disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p> <p>YES</p>	<p>(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of Senior Executives on an annual basis in accordance with the Company's Nomination and Remuneration Committee Charter.</p> <p>(b) During the period to 30 June 2018, the Nomination and Remuneration Committee did not undertake a performance evaluation of Senior Executives as the Nomination and Remuneration Committee was only re-established following the appointment of a Non-Executive Director to the Board. The Company expects that the Nomination and Remuneration Committee will undertake such an evaluation during the 18/19 financial year.</p>

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2: Structure the board to add value		
2.1 The board of a listed entity should:		
(a) have a nomination committee which:		(a) Following the appointment of Dr John Prendergast to the Board during the period, the Company re-established the Nomination and Remuneration Committee with Dr Prendergast as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not Independent. The times and attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance .
(1) has at least three members, a majority of whom are independent directors; and	NO	
(2) is chaired by an Independent Director, and disclose:	YES	
(3) the charter of the committee;	YES	
(4) the members of the committee; and	YES	
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	YES	
(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge to enable it to discharge its duties and responsibilities effectively.	N/A	
2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	YES	The Company has a skills matrix which is disclosed on the Company's website at https://recce.com.au/index.php/company/corporate-governance .
2.3 A listed entity should disclose:		
(a) the names of the Directors considered by the Board to be Independent Directors;	YES	(a) Page 10 – 12 of the Directors Report discloses which Directors were considered independent during the year.
(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and recommendations (3rd Edition) but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and	YES	(b) Dr John Prendergast, the only Director of the Company considered independent, has not had an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and recommendations (3rd Edition).
(c) the length of service of each Director.	YES	(c) The length of service of each Director is as follows: Mr Graham and Ms Dilizia were appointed as Directors on 23 June 2015. Dr Melrose was appointed a Director of the Company on 11 April 2007. Dr John Prendergast was appointed as a Non- Executive Director of the Company on 24 April 2018.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2.4 A majority of the Board of a listed entity should be Independent Directors.	NO	<p>The Board Charter requires that where practical the majority of the Board will be independent. The Board currently comprises a total of four Directors, of whom one is considered to be independent, being Dr John Prendergast.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given:</p> <ul style="list-style-type: none"> (a) The magnitude of the Company's operations; and (b) The relevant skills and experience of Dr Melrose, Ms Dilizia, Mr Graham and Dr Prendergast, mean that the Board is appropriately skilled at this stage, to further the progress and development of the Company. The Company is seeking to appoint Independent Directors in the future.
2.5 The Chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.	NO	<p>The Board does not have an independent Chair because as founder of Recce and lead-inventor of RECCE® 327, the Company considers that Dr Melrose is the best equipped person to progress the Company's future direction.</p> <p>The Company may seek to appoint an independent Chair in the future.</p>
2.6 A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	YES	<p>The Nomination and Remuneration Committee is responsible to the Board for reviewing and recommending to the Board induction and professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p> <p>As a result, the Company has in place a program for the induction of new Directors which is tailored to each new Director depending on their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company, and the roles, duties and responsibilities of Directors and the Executive Team.</p> <p>All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training to address any skills gaps.</p>

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
3: Promote ethical and responsible decision-making		
3.1 A listed entity should:		
(a) Have a code of conduct for its Directors, Senior Executives and employees; and	YES	(a) The Company has a Code of Conduct – the Company’s Obligations to Stakeholders that applies to all.
(b) Disclose that code or a summary of it.	YES	(b) The Company’s Code of Conduct – the Company’s Obligations to Stakeholders is available on the Company’s website at https://recce.com.au/index.php/company/corporate-governance .
4: Safeguard integrity in financial reporting		
4.1 The Board of a listed entity should:		
(a) have an audit committee which:		Following the appointment of Dr John Prendergast to the Board during the period, the Company re-established the Audit and Risk Management Committee with Dr Prendergast, an Independent Director of the Company, as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The times and attendance at each committee meeting is disclosed in section 23 of the Directors’ Report. A copy of the Audit and Risk Management Committee Charter is available on the Company’s website at https://recce.com.au/index.php/company/corporate-governance .
(1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and	NO	
(2) is chaired by an Independent Director, who is not the Chair of the Board,	YES	
and disclose:		
(3) the charter of the committee;	YES	
(4) the relevant qualifications and experience of the members of the committee; and	YES	
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	YES	
(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	
4.2 The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	Prior to the execution of the Financial Statements of the Company, the Company’s Executive Director and CFO provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in all material aspects in relation to the Company’s financial reporting risks.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	At the last AGM of the company, held on 21 November 2017 the external auditor of the Company attended this meeting and it is expected that the Company's external auditor will attend future AGMs and is available to answer questions from security holders relevant to the audit.
5: Make timely and balanced disclosure		
5.1 A listed entity should:		
(a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	YES	(a) The Company has adopted a Continuous Disclosure Policy which details the processes and procedures which have been adopted by the Company so as to comply its continuous disclosure obligations as required under the ASX Listing Rules and other relevant legislation.
(b) disclose that policy or a summary of it.	YES	(b) The Continuous Disclosure Policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance .
6: Respect the rights of shareholders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Shareholders can access information about the Company and its governance (including its Constitution and adopted governance policies) from the Company's website at https://recce.com.au/index.php/company/corporate-governance .
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with its investors. The Strategy outlines a range of ways in which information is communicated to shareholders. A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance .
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Security holders have the ability to communicate with Directors through various means including: <ul style="list-style-type: none"> • having the opportunity to ask questions of Directors at all general meetings; • the presence of the Auditor at AGMs to take shareholder questions on any issue relevant to their capacity as Auditor; and • the Company having Directors available to answer shareholder questions submitted by telephone, email and other means (where appropriate). Traditionally, the key forum for two-way communication between the Company and its Security holders is its AGM.

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Security holders can also elect to receive electronic communications via the Company's registry, Automatic Registry Services.

7: Recognise and manage risk

7.1 The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- (1) has at least three members, a majority of whom are Independent Directors; and
- (2) is chaired by an Independent Director, and disclose:
- (3) the charter of the committee;
- (4) the members of the committee; and
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

NO

YES

YES

YES

YES

(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

N/A

Following the appointment of Dr John Prendergast to the Board during the period, the Company re-established the Audit and Risk Management Committee with Dr Prendergast, an Independent Director of the Company, as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The times and attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Audit and Risk Management Committee Charter is available on the Company's website at <https://recce.com.au/index.php/company/corporate-governance>.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
7.2 The Board or a committee of the board should:		
(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure they remain within the risk appetite set by the Board; and	YES	(a) The Audit and Risk Management Committee Charter sets out a requirement for the Audit and Risk Management Committee to review the Company's risk management framework on an annual basis. At every Board meeting the Directors review the Company's Risk Register and related mitigation strategies.
(b) Disclose in relation to each reporting period, whether such a review has taken place.	YES	<p>The Company monitors, evaluates and seeks to improve its risk management and internal control processes in line with the processes set out in its Risk Management Policy, a copy of which is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.</p> <p>In addition, the Company has a number of other policies that directly or indirectly serve to reduce and/or manage risk, including:</p> <ul style="list-style-type: none"> • Continuous Disclosure Policy • Code of Conduct • Trading Policy <p>(b) The Company formulated its risk management framework in preparation for the Company's admission to the official list of the ASX. A copy of the Risk Management Policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance. At every Board meeting the directors review the Company's Risk Register and related mitigation strategies.</p>
7.3 A listed entity should disclose:		
(a) If it has an internal audit function, how the function is structured and what role it performs; or	N/A	(a) The Audit and Risk Management Committee Charter provides for the Audit and Risk Management Committee to monitor the need for an internal audit function. At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations the Company does not have an internal audit function.
(b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	YES	(b) The Company has adopted a Risk Management Policy which the Company follows. Throughout the period, the Board of the Company and the Audit and Risk Management Committee the Board have been reviewing the reports prepared by management in relation to the Company's risk profile.

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	<p>All material risks were announced to the market, in accordance with its continuous and other disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act 2001.</p> <p>Also, prior to the Company's admission to the official list of the ASX, the Board undertook a thorough review of the Company's exposures to economic, environmental and social sustainability risks and disclosed these risks in its Prospectus dated 21 September 2015. A copy of this Prospectus is available on the Company's website at: www.recce.com.au</p>
8: Remunerate fairly and responsibly		
8.1		
(a) The Board of a listed entity should have a remuneration committee which:		<p>Following the appointment of Dr John Prendergast to the board during the period, the Company re-established the Nomination and Remuneration Committee with Dr Prendergast, an Independent Director of the Company, as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The times and attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.</p>
(1) has at least three members, a majority of whom are Independent Directors; and	NO	
(2) is chaired by an independent director, and disclose;	YES	
(3) the charter of the committee;	YES	
(4) the members of the committee; and	YES	
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	YES	
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive.	N/A	
8.2 A listed entity should separately disclose its policies and practices regarding the Remuneration of Non-Executive Directors and other Senior Executives and ensure that the different roles and responsibilities of Non-Executive Directors compared to Executive Directors and other Senior Executives are reflected at the level and composition of their remuneration.	YES	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Non-Executive and Executive Directors and other senior employees. This disclosure is set out in the Remuneration Report section of the Company's Annual Report.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
8.3 A listed entity which has an equity-based remuneration scheme should:		
(a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	YES	(a) The Company's Nomination and Remuneration Committee is responsible for the review and recommendation to the Board of any equity-based remuneration schemes offered to Directors and employees of the Company. Further, in accordance with the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is also responsible for recommending, on a case by case basis, for scheme participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Scheme.
(b) Disclose that policy or a summary of it.	YES	(b) The Company's policy in this regard is set out in the Company's Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance .